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Group - Washington

March 31, 1994

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE

William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Dear Mr. Caton:

Re: *Pacific Bell Data Request CC Docket 93-162, 1600C1*

The enclosed data is provided in response to a request for information from Greg Vogt of the Tariff Division of the Common Carrier Bureau dated March 11, 1994. Portions of this data were provided by me on March 24, 1994. Please associate this material with the above referenced proceeding.

Two copies of this notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,



Attachment

AC

PACIFIC BELL DATA RESPONSE
SECTION 1

SECTION 1

OVERVIEW

This study identifies the direct cost of Pacific Bell's DS1, DS3, DS3x3 and DS3x12 services. Cost were identified for both optical and electrical DS3 interfaces. Service costs are based on one channel termination, channel mileage and two channel mileage terminations (one for each end of the interoffice channel). Average channel miles and terminations were based on quantities filed in the 1993 Annual Filing. Average service revenue reflects current recurring rates as of March 21, 1994 weighted by the appropriate occurrence. Overhead factors were identified by dividing the monthly service rate by the monthly service cost. Page 1.4 displays a Service Overhead Summary for each type circuit.

This study is organized into 11 sections. Section 1 includes an overview, a methodology description and a service summary. Section 2 displays the average service revenue. Sections 3 through 11 provide detailed cost studies for each service. Each section contains a cost summary which displays the direct cost components for that service. This summary references detailed supporting cost worksheets included in that section. Also included in each section is an investment summary which identifies unit investment by account and rate element. Interoffice mileage rate element investments are weighted by the appropriate mileage and channel occurrences identified from the 1993 annual filing. The sum total of the average service channel termination and mileage rate element investments is the basis of service specific costs.

SECTION 2

METHODOLOGY

The direct cost by service was identified based on an analysis of plant and equipment used to provide each service. Unit investments were identified based on the average expected utilization of plant and equipment and the average number of channels per serving arrangement. Account specific costs were identified for depreciation, cost of money, income taxes, maintenance expense, administrative expense, marketing expense and other taxes.

Unit investments were identified using current costs for plant and equipment. Investment was identified by USOA account for fiber optic terminals and digital equipment (Account 223210) and exchange fiber plant (Account 242200). Land and building investment were developed based on the historical relationships between accounts for digital circuit equipment (Account 223210) and the associated land (Account 211100) and building (Account 212100) required to house the equipment. Exchange fiber investment was based on the average serving length and expected average plant utilization. Interoffice fiber investment reflects the expected fiber utilization and a weighting for intermediate office investment. Conduit investment (Account 244149) was based on a proration of conduit investment to fiber plant. Unit investment calculations included appropriate utilization factors reflecting the average expected utilization of the plant or equipment over its economic life.

RECURRING COSTS

Recurring cost is comprised of depreciation, cost of money, income taxes and expenses associated with maintenance, administration, marketing and other taxes. These costs are identified by applying standard factors to either gross or net investment (gross investment less depreciation reserve). The cost summary within each section displays the cumulative totals for the Direct Cost components listed above. Recurring costs are identified at the account level as follows:

FCC factors for the cost of money and corresponding income taxes are applied, by account, to identify both the annual cost of money and annual income taxes. The cost of money represents Pacific Bell's allowed return on undepreciated plant. The FCC return and income tax (RIT) factors have been adjusted to include net investment and are therefore applied to gross current investment.

Recurring Costs contd

The cost of money is calculated by first determining the portion of Return and Income Tax ("RIT") attributable to the cost of money and that portion attributable to income taxes.

The cost of money and cost associated with income taxes are identified for each plant account at lines 4 and 5 as shown on Recurring Cost Workpapers within each section.

Depreciation rates were applied to gross current investment by account to identify annual depreciation expenses as prescribed by the FCC. Line 6 of the Recurring Cost Workpapers display the annual cost factors for each account.

A maintenance factor was applied to gross book investment, by plant account to identify annual maintenance expense. The factor was developed by dividing the annual maintenance for an account by gross book investment for that account. Line 7 of the Recurring Cost Workpapers display the annual cost factors for each account.

Factors for administration, marketing and other taxes were applied to equivalent gross book investment to identify annual expenses. The factors were developed by dividing direct annual administrative, marketing and other tax expenses by gross book investment, all of which are allocated to Pacific Bell defined service categories. One of the categories includes all Special Access services. Lines 8, 9 and 10 of the Recurring Cost Workpapers display the resulting annual factors.

The application of all these factors to investment identifies the direct cost that will recover all investment related expenses. Total expenses by account are then summed to produce the Cost Summary. In most instances the annual cost factors used in this study are identical to those used to calculate recurring costs for the expanded interconnection rate elements. Two exceptions are as follows. First, the digital depreciation expense factor is greater for certain service cost calculations. The fiber optic equipment used to provide DS3X12 service has a shorter expected service life than collocation circuit equipment. The application of this factor increases costs. Second, the identification of marketing, other taxes and administrative expenses are captured by discrete factors in this analysis to display the greater detail requested by the FCC. These components were captured by a single administrative factor in the collocation cost studies. The application of discrete factors cumulatively produces the same result as the single factor used for collocation cost studies.

The overhead loading is based on the relationship of corporate overheads to total gross book investment for all Pacific Bell Special Access Products. The application of the overhead factor as shown at line 12 as shown on the Recurring Cost Workpapers captures expenses associated with legal, regulatory accounting and other indirect functions in a reasonable manner. The application of this factor is also consistent with cost studies done for collocation and other new products recently tariffed.

SERVICE OVERHEAD SUMMARY

SERVICE TYPE	OVERHEAD FACTOR	PAGE
DS3 1 YR	1.31	3.1
DS3 1 YR, OPTICAL	1.57	3.1
DS3 3 YR	1.34	4.1
DS3 3 YR, OPTICAL	1.61	4.1
DS3 5 YR	1.32	5.1
DS3 5 YR, OPTICAL	1.59	5.1
DS3X3 1 YR	1.96	6.1
DS3X3 1 YR, OPTICAL	2.51	6.1
DS3X3 3 YR	1.42	7.1
DS3X3 3 YR, OPTICAL	1.99	7.1
DS3X3 5 YR	1.69	8.1
DS3X3 5 YR, OPTICAL	2.22	8.1
DS3X12 3 YR	1.73	9.1
DS3X12 3 YR, OPTICAL	2.46	9.1
DS3X12 5 YR	1.51	10.1
DS3X12 5 YR, OPTICAL	2.16	10.1
DS1	2.29	11.1

PACIFIC BELL DATA RESPONSE
SECTION 2

WORKSHEET 2.1**AVG RECURRING RATE PER SERVICE**

		A*	B*	C
		CHAN TERM	AVG MILEAGE	TOTAL (A+B)
CHAN TERM TYPE				
1	DS3 1YR W/ EQ	\$2,500	\$857	\$3,357
2	DS3 3YR W/ EQ	\$2,000	\$857	\$2,857
3	DS3 5YR W/ EQ	\$1,800	\$857	\$2,657
4				
5	DS3 1YR W/O EQ	\$1,650	\$857	\$2,507
6	DS3 3YR W/ 0 EQ	\$1,350	\$857	\$2,207
7	DS3 5YR W/0 EQ	\$1,180	\$857	\$2,037
8				
9	DS3X3 1YR W/ EQ	\$6,989	\$2,570	\$9,559
10	DS3X3 3YR W/ EQ	\$4,000	\$2,570	\$6,570
11	DS3X3 5YR W/ EQ	\$3,500	\$2,570	\$6,070
12				
13	DS3X3 1YR W/O EQ	\$4,053	\$2,570	\$6,623
14	DS3X3 3YR W/ 0 EQ	\$2,400	\$2,570	\$4,970
15	DS3X3 5YR W/0 EQ	\$1,800	\$2,570	\$4,370
16				
17	DS3X12 3YR W/ EQ	\$11,500	N/A	\$11,500
18	DS3X12 5YR W/ EQ	\$9,000	N/A	\$9,000
19				
20	DS3X12 3YR W/ 0 EQ	\$8,300	N/A	\$8,300
21	DS3X12 5YR W/0 EQ	\$6,600	N/A	\$6,600
22				
23	DS1 ZONE 1	\$120.00	\$157	\$277

*Col A, 3/21/94 Rates

Col B: Worksheet 2.2, 2.3, Avg Mileage Rate

Note: Mileage not offered with DS3x12

WORKSHEET 2.2**AVG MILEAGE RATE PER SERVICE**

	A	B	C	D
	UNIT	RATE	OCCUR WTG	WTD MI
DS3 MILEAGE RATE ELEMENTS	REVENUE*	ELEMENT*		REVENUE
		QTY		(D*B)
1 MILEAGE: PER CKT	\$833.00	1	0.57	\$473
2 MILEAGE: PER MILE	\$43.70	15.5	0.57	\$384
3				
4			TOTAL DS3	\$857
5				
6			TOTAL DS3X3	\$2,570
7				
8				
9				
10				
11				
12				
13 <u>CALCULATION: AVERAGE CHANNEL MILEAGE</u>				
14				
15 DS3 CHAN MI(0.0-0.0) CKT		2,995		
16 DS3 CHAN MI(0.1& OVER)CKT		3,938		
17 TOTAL CKTS		6,933		
18 DS3 CHAN MI(0.1& OVER)IOM		60,845		
19				
20 MI FIXED OCCUR WTG (Col B Ln 16/ Ln 17)		0.57		
21 CKT MILES (Col B Ln 18/Ln 16)		15.45		
22 AVG CKT MILES (Col B Ln 18/ Ln 17)		8.78		
23				
24 DS3 Volumes from Base Period, Pacific Bell 1993 Annual Filing, Workpaper III C-2.10				

WORKSHEET 2.3

AVG MILEAGE RATE PER SERVICE

	A UNIT REVENUE*	B RATE ELEMENT* QTY	C OCCUR WTG	D WTD MI REVENUE (D*B)
DS1 MILEAGE RATE ELEMENTS				
1 MILEAGE: PER CKT	\$105.00	1	0.55	\$58
2 MILEAGE: PER MILE	\$17.00	10.5	0.55	\$99
3				
4			TOTAL DS1	\$157
5				
6				
7				
8				
9				
10				
11				
12				
13 <u>CALCULATION: AVERAGE CHANNEL MILEAGE</u>				
14				
15 DS1 CHAN MI(0.0-0.0) CKT		102,180		
16 DS1 CHAN MI(0.1& OVER)CKT		127,056		
17 TOTAL CKTS		229,236		
18 DS1 CHAN MI(0.1& OVER)IOM		1,332,060		
19				
20 MI FIXED OCCUR WTG (Col B Ln 16/ Ln 17)		0.55		
21 CKT MILES (Col B Ln 18/Ln 16)		10.48		
22 AVG CKT MILES (Col B Ln 18/ Ln 17)		5.81		
23				
24 DS1 Volumes from Base Period, Pacific Bell 1993 Annual Filing, Workpaper III C-2.9				

PACIFIC BELL DATA RESPONSE
SECTION 3

RECURRING COST SUMMARY, Avg DS3 Service 3 yr Term**DS3 Electrical****DS3 Optical**

1 Gross Investment	\$130,952	\$90,366	See Worksheet 3.2
Annual Cost			
2 Cost of Money	\$8,345	\$5,413	See Col C , Reccurring Cost Worksheets, Sum by item
3 State & Fed Taxes	\$3,302	\$2,142	See Col C , Reccurring Cost Worksheets, Sum by item
4 Depreciation	\$9,193	\$5,047	See Col C , Reccurring Cost Worksheets, Sum by item
5 Repair and Maintenance	\$1,563	\$866	See Col C , Reccurring Cost Worksheets, Sum by item
6 Administration	\$5,464	\$3,650	See Col C , Reccurring Cost Worksheets, Sum by item
7 Marketing	\$1,290	\$862	See Col C , Reccurring Cost Worksheets, Sum by item
8 Other Taxes	\$973	\$650	See Col C , Reccurring Cost Worksheets, Sum by item
9 Subtotal of Expenses	\$30,129	\$18,629	Sum(Ln 2...Ln 8)
10 Overhead	\$3,365	\$2,248	See Col C , Reccurring Cost Worksheets, Sum by item
11 Total Annual Cost	\$33,494	\$20,877	Ln 9 + Ln 10
12 Monthly Cost	\$2,791.16	\$1,739.78	Ln 11/12
13 Direct Cost	\$2,510.74	\$1,552.45	Ln 9/12
14 Monthly Rate	\$3,356.67	\$2,506.67	Avg Recurring Revenue Worksheet 2.1, Col C
15 Overhead Factor	1.34	1.61	Ln 14/ Ln 13

3.1

INVESTMENT SUMMARY

DS3 Service, 1 yr term

Investment Summary by Rate Element

Investment by Account*	Chan Term	Mileage Fixed (wtd)	Mileage	Account Total Sum by row
1 Digital Eq CO(Account 223210)	\$33,641	\$8,535	\$6,593	\$48,769
2 Digital Eq Remote (Account 223210	\$40,587	\$0	\$0	\$40,587
3 Land,(Account 211100)	\$242	\$78	\$60	\$380
4 Building (Account 212100)	\$2,821	\$907	\$700	\$4,428
5 Fiber (Account 242212)	\$23,800	\$0	\$6,191	\$29,991
6 Conduit (Account 244149)	\$5,395	\$0	\$1,403	\$6,798
TOTAL	\$106,486	\$9,519	\$14,948	\$130,952
TOTAL Optical (w/o Remote EQ)	\$65,899	\$9,519	\$14,948	\$90,366

*Identified by Pacific Bell Investent studies

RECURRING COST WORKSHEET 3.3

COST BY ACCOUNT PER AVG DS3 SERVICE

	A	B	C	
Account Number	244149	242212		SOURCE, Col. A, B
Account Description	CONDUIT	FIBER		
Cost Factors				
1 Net Plant	1.0000	1.0000		Accounted for in RIT
2 FCC RIT	0.1033	0.0957		1992 Company Study
3 St/Fed Tax as a % of RIT	0.2835	0.2835		1992 Company Study
4 Cost of Money	0.0740	0.0686		Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0293	0.0271		Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0220	0.0440		1992 Company Study
7 Repair and Maintenance	0.00113	0.0054		1992 Company Study
8 Administrative	0.0466	0.0466		1992 Company Study
9 Marketing	0.0110	0.0110		1992 Company Study
10 Other Taxes	0.0083	0.0083		1992 Company Study
11 Overhead	0.0287	0.0287	Total (A+B)	1992 Company Study
12 Gross Investment	\$6,798	\$29,991	\$36,789	Pacific Bell Study
Annual Cost				
13 Cost of Money	\$503	\$2,056	\$2,560	Ln 4 * Ln 12
14 State & Fed Taxes	\$199	\$814	\$1,013	Ln 5 * Ln 12
15 Depreciation	\$150	\$1,320	\$1,469	Ln 6 * Ln 12
16 Repair and Maintenance	\$8	\$162	\$170	Ln 7 * Ln 12
17 Administration	\$317	\$1,398	\$1,714	Ln 8 * Ln 12
18 Marketing	\$75	\$330	\$405	Ln 9 * Ln 12
19 Other Taxes	\$56	\$249	\$305	Ln 10 * Ln 12
20 Subtotal of Expenses	\$1,307	\$6,328	\$7,636	Sum (Ln 13...Ln 19)
21 Overhead	\$195	\$861	\$1,056	Ln 11 * Ln 12
22 Total Annual Costs	\$1,503	\$7,189	\$8,691	Ln 20 + Ln 21

RECURRING COST WORKSHEET 3.4

COST BY ACCOUNT PER AVG DS3 SERVICE

	A	B		
Account Number	211100	212100	SOURCE, Col. A, B	
Account Description	LAND	BUILDING		
Cost Factors				
1 Net Plant	1.0000	1.0000	Accounted for in RIT	
2 FCC RIT	0.1614	0.1165	1992 Company Study	
3 St/Fed Tax as a % of RIT	28.35%	28.35%	1992 Company Study	
4 Cost of Money	0.1156	0.0835	Ln 1 * Ln 2 * (1 - Ln 3)	
5 State & Fed Taxes	0.0458	0.0330	Ln 1 * Ln 2 * Ln 3	
6 Depreciation	0.0000	0.0290	1992 Company Study	
7 Repair and Maintenance	0.0000	0.0261	1992 Company Study	
8 Administration	0.0466	0.0466	1992 Company Study	
9 Marketing	0.0110	0.0110	1992 Company Study	
10 Other Taxes	0.0083	0.0083	Total (A+B)	
11 Overhead	0.0287	0.0287		
12 Gross Investment	\$380	\$4,428	\$4,808	Pacific Bell Study
Annual Cost				
13 Cost of Money	\$44	\$370	\$414	Ln 4 * Ln 12
14 State & Fed Taxes	\$17	\$146	\$164	Ln 5 * Ln 12
15 Depreciation	\$0	\$128	\$128	Ln 6 * Ln 12
16 Repair and Maintenance	\$0	\$116	\$116	Ln 7 * Ln 12
17 Administration	\$18	\$206	\$224	Ln 8 * Ln 12
18 Marketing	\$4	\$49	\$53	Ln 9 * Ln 12
19 Other Taxes	\$3	\$37	\$40	Ln 10 * Ln 12
20 Subtotal of Expenses	\$86	\$1,052	\$1,138	Sum (Ln 13...Ln 19)
21 Overhead	\$11	\$127	\$138	Ln 11 * Ln 12
22 Total Annual Costs	\$97	\$1,179	\$1,276	Ln 20 + Ln 21

RECURRING COST WORKSHEET 3.5

COST BY ACCOUNT PER AVG DS3 SERVICE

	A		B		SOURCE, Col. A, B
Account Number			223210		
Account Description	DIGITAL EQ	DIGITAL EQ	DIGITAL EQ		
	C0		REMOTE		
Cost Factors					
1 Net Plant	1.0000		1.0000		Accounted for in RIT
2 FCC RIT	0.0839		0.0839		1992 Company Study
3 St/Fed Tax as a % of RIT	28.35%		28.35%		1992 Company Study
4 Cost of Money	0.0601		0.0601		Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0238		0.0238		Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0850		0.0850		1992 Company Study
7 Repair and Maintenance	0.0143		0.0143		1992 Company Study
8 Administration	0.0466		0.0466		1992 Company Study
9 Marketing	0.0110		0.0110		1992 Company Study
10 Other Taxes	0.0083		0.0083		1992 Company Study
11 Overhead	0.0287		0.0287		1992 Company Study
			Total (A+B)		
12 Gross Current Investment	\$48,769		\$40,587	\$89,356	Pacific Bell Study
13 Equivalent Gross Book Investment	\$38,922		\$36,730		Line 10/ cc/bc ratio
Annual Cost					
14 Cost of Money	\$2,932		\$2,440	\$5,372	Ln 4 * Ln 12
15 State & Fed Taxes	\$1,160		\$965	\$2,125	Ln 5 * Ln 12
16 Depreciation	\$4,145		\$3,450	\$7,595	Ln 6 * Ln 12
17 Repair and Maintenance	\$697		\$580	\$1,278	Ln 7 * Ln 12
18 Administration	\$1,814		\$1,712	\$3,525	Ln 8 * Ln 13
19 Marketing	\$428		\$404	\$832	Ln 9 * Ln 13
20 Other Taxes	\$323		\$305	\$628	Ln 10 * Ln 13
21 Subtotal of Expenses	\$11,499		\$9,856	\$21,355	Sum (Ln 14...Ln 20)
22 Overhead	\$1,117		\$1,054	\$2,171	Ln 9 * Ln 11
Total Annual Costs	\$12,617		\$10,910	\$23,527	Ln 17 + Ln 18

PACIFIC BELL DATA RESPONSE
SECTION 4

RECURRING COST SUMMARY, Avg DS3 Service 3 yr Term**DS3 Electrical DS3 Optical**

1 Gross Investment	\$112,396	\$81,956	See Worksheet 4.2
Annual Cost			
2 Cost of Money	\$7,229	\$4,803	See Col C , Reccurring Cost Worksheets, Sum by item
3 State & Fed Taxes	\$2,860	\$1,900	See Col C , Reccurring Cost Worksheets, Sum by item
4 Depreciation	\$7,615	\$4,185	See Col C , Reccurring Cost Worksheets, Sum by item
5 Repair and Maintenance	\$1,298	\$720	See Col C , Reccurring Cost Worksheets, Sum by item
6 Administration	\$4,723	\$3,222	See Col C , Reccurring Cost Worksheets, Sum by item
7 Marketing	\$1,115	\$761	See Col C , Reccurring Cost Worksheets, Sum by item
8 Other Taxes	\$841	\$574	See Col C , Reccurring Cost Worksheets, Sum by item
9 Subtotal of Expenses	\$25,682	\$16,165	Sum(Ln 2...Ln 8)
10 Overhead	\$2,909	\$1,984	See Col C , Reccurring Cost Worksheets, Sum by item
11 Total Annual Cost	\$28,591	\$18,150	Ln 9 + Ln 10
12 Monthly Cost	\$2,382.56	\$1,512.49	Ln 11/12
13 Direct Cost	\$2,140.16	\$1,347.12	Ln 9/12
14 Monthly Rate	\$2,856.67	\$2,206.67	Avg Recurring Revenue Worksheet 2.1, Col C
15 Overhead Factor	1.33	1.64	Ln 14/ Ln 13

4.1

INVESTMENT SUMMARY

DS3 Service, 3 yr term

Investment Summary by Rate Element

Investment by Account*	Chan Term	Mileage Fixed (wtd)	Mileage	Account Total Sum by row
1 Digital Eq CO(Account 223210)	\$25,231	\$8,535	\$6,593	\$40,359
2 Digital Eq Remote (Account 223210	\$30,440	\$0	\$0	\$30,440
3 Land,(Account 211100)	\$242	\$78	\$60	\$380
4 Building (Account 212100)	\$2,821	\$907	\$700	\$4,428
5 Fiber (Account 242212)	\$23,800	\$0	\$6,191	\$29,991
6 Conduit (Account 244149)	\$5,395	\$0	\$1,403	\$6,798
TOTAL	\$87,929	\$9,519	\$14,948	\$112,396
TOTAL Optical (w/o Remote EQ)	\$57,489	\$9,519	\$14,948	\$81,956

*Identified by Pacific Bell Investent studies

RECURRING COST WORKSHEET 4.3

COST BY ACCOUNT PER AVG DS3 SERVICE

	A	B	C	
Account Number	244149	242212		SOURCE, Col. A, B
Account Description	CONDUIT	FIBER		
Cost Factors				
1 Net Plant	1.0000	1.0000		Accounted for in RIT
2 FCC RIT	0.1033	0.0957		1992 Company Study
3 St/Fed Tax as a % of RIT	0.2835	0.2835		1992 Company Study
4 Cost of Money	0.0740	0.0686		Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0293	0.0271		Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0220	0.0440		1992 Company Study
7 Repair and Maintenance	0.00113	0.0054		1992 Company Study
8 Administrative	0.0466	0.0466		1992 Company Study
9 Marketing	0.0110	0.0110		1992 Company Study
10 Other Taxes	0.0083	0.0083		1992 Company Study
11 Overhead	0.0287	0.0287	Total (A+B)	1992 Company Study
12 Gross Investment	\$6,798	\$29,991	\$36,789	Pacific Bell Study
Annual Cost				
13 Cost of Money	\$503	\$2,056	\$2,560	Ln 4 * Ln 12
14 State & Fed Taxes	\$199	\$814	\$1,013	Ln 5 * Ln 12
15 Depreciation	\$150	\$1,320	\$1,469	Ln 6 * Ln 12
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17 Administration	\$317	\$1,398	\$1,714	Ln 8 * Ln 12
18 Marketing	\$75	\$330	\$405	Ln 9 * Ln 12
19 Other Taxes	\$56	\$249	\$305	Ln 10 * Ln 12
20 Subtotal of Expenses	\$1,307	\$6,328	\$7,636	Sum (Ln 13...Ln 19)
21 Overhead	\$195	\$861	\$1,056	Ln 11 * Ln 12
22 Total Annual Costs	\$1,503	\$7,189	\$8,691	Ln 20 + Ln 21

RECURRING COST WORKSHEET 4.4

COST BY ACCOUNT PER AVG DS3 SERVICE

	A	B		
Account Number	211100	212100	SOURCE, Col. A, B	
Account Description	LAND	BUILDING		
Cost Factors				
1 Net Plant	1.0000	1.0000	Accounted for in RIT	
2 FCC RIT	0.1614	0.1165	1992 Company Study	
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5 State & Fed Taxes	0.0458	0.0330	Ln 1 * Ln 2 * Ln 3	
6 Depreciation	0.0000	0.0290	1992 Company Study	
7 Repair and Maintenance	0.0000	0.0261	1992 Company Study	
8 Administration	0.0466	0.0466	1992 Company Study	
9 Marketing	0.0110	0.0110	1992 Company Study	
10 Other Taxes	0.0083	0.0083	Total (A+B)	
11 Overhead	0.0287	0.0287		
12 Gross Investment	\$380	\$4,428	\$4,808	Pacific Bell Study
Annual Cost				
13 Cost of Money	\$44	\$370	\$414	Ln 4 * Ln 12
14 State & Fed Taxes	\$17	\$146	\$164	Ln 5 * Ln 12
15 Depreciation	\$0	\$128	\$128	Ln 6 * Ln 12
16 Repair and Maintenance	\$0	\$116	\$116	Ln 7 * Ln 12
17 Administration	\$18	\$206	\$224	Ln 8 * Ln 12
18 Marketing	\$4	\$49	\$53	Ln 9 * Ln 12
19 Other Taxes	\$3	\$37	\$40	Ln 10 * Ln 12
20 Subtotal of Expenses	\$86	\$1,052	\$1,138	Sum (Ln 13...Ln 19)
21 Overhead	\$11	\$127	\$138	Ln 11 * Ln 12
22 Total Annual Costs	\$97	\$1,179	\$1,276	Ln 20 + Ln 21

4.4

RECURRING COST WORKSHEET 4.5

COST BY ACCOUNT PER AVG DS3 SERVICE

	A	B		
Account Number		223210		SOURCE, Col. A, B
Account Description	DIGITAL EQ	DIGITAL EQ		
	C0	REMOTE		
Cost Factors				
1 Net Plant	1.0000	1.0000		Accounted for in RIT
2 FCC RIT	0.0839	0.0839		1992 Company Study
3 St/Fed Tax as a % of RIT	28.35%	28.35%		1992 Company Study
4 Cost of Money	0.0601	0.0601		Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0238	0.0238		Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0850	0.0850		1992 Company Study
7 Repair and Maintenance	0.0143	0.0143		1992 Company Study
8 Administration	0.0466	0.0466		1992 Company Study
9 Marketing	0.0110	0.0110		1992 Company Study
10 Other Taxes	0.0083	0.0083		1992 Company Study
11 Overhead	0.0287	0.0287		1992 Company Study
			Total (A+B)	
12 Gross Current Investment	\$40,359	\$30,440	\$70,799	Pacific Bell Study
13 Equivalent Gross Book Investment	\$32,210	\$27,548		Line 10/ cc/bc ratio
Annual Cost				
14 Cost of Money	\$2,426	\$1,830	\$4,256	Ln 4 * Ln 12
15 State & Fed Taxes	\$960	\$724	\$1,684	Ln 5 * Ln 12
16 Depreciation	\$3,431	\$2,587	\$6,018	Ln 6 * Ln 12
17 Repair and Maintenance	\$577	\$435	\$1,012	Ln 7 * Ln 12
18 Administration	\$1,501	\$1,284	\$2,785	Ln 8 * Ln 13
19 Marketing	\$354	\$303	\$657	Ln 9 * Ln 13
20 Other Taxes	\$267	\$229	\$496	Ln 10 * Ln 13
21 Subtotal of Expenses	\$9,516	\$7,392	\$16,908	Sum (Ln 14...Ln 20)
22 Overhead	\$924	\$791	\$1,715	Ln 9 * Ln 11
Total Annual Costs	\$10,441	\$8,183	\$18,623	Ln 17 + Ln 18

PACIFIC BELL DATA RESPONSE
SECTION 5

RECURRING COST SUMMARY, Avg DS3 Service 5 yr Term

	DS3 Electrical	DS3 Optical	
1 Gross Investment	\$106,209	\$79,152	See Worksheet 5.2
Annual Cost			
2 Cost of Money	\$6,857	\$4,600	See Col C , Reccurring Cost Worksheets, Sum by item
3 State & Fed Taxes	\$2,713	\$1,820	See Col C , Reccurring Cost Worksheets, Sum by item
4 Depreciation	\$7,090	\$3,897	See Col C , Reccurring Cost Worksheets, Sum by item
5 Repair and Maintenance	\$1,209	\$672	See Col C , Reccurring Cost Worksheets, Sum by item
6 Administration	\$4,476	\$3,079	See Col C , Reccurring Cost Worksheets, Sum by item
7 Marketing	\$1,057	\$727	See Col C , Reccurring Cost Worksheets, Sum by item
8 Other Taxes	\$797	\$548	See Col C , Reccurring Cost Worksheets, Sum by item
9 Subtotal of Expenses	\$24,199	\$15,344	Sum(Ln 2...Ln 8)
10 Overhead	\$2,757	\$1,897	See Col C , Reccurring Cost Worksheets, Sum by item
11 Total Annual Cost	\$26,956	\$17,241	Ln 9 + Ln 10
12 Monthly Cost	\$2,246.35	\$1,436.71	Ln 11/12
13 Direct Cost	\$2,016.61	\$1,278.67	Ln 9/12
14 Monthly Rate	\$2,656.67	\$2,036.67	Avg Recurring Revenue Worksheet 2.1, Col C
15 Overhead Factor	1.32	1.59	Ln 14/ Ln 13

5.1

INVESTMENT SUMMARY

DS3 Service, 5 yr term

Investment Summary by Rate Element

Investment by Account*	Chan Term	Mileage Fixed (wtd)	Mileage	Account Total Sum by row
1 Digital Eq CO(Account 223210)	\$22,427	\$8,535	\$6,593	\$37,556
2 Digital Eq Remote (Account 223210	\$27,058	\$0	\$0	\$27,058
3 Land,(Account 211100)	\$242	\$78	\$60	\$379
4 Building (Account 212100)	\$2,821	\$907	\$700	\$4,428
5 Fiber (Account 242212)	\$23,800	\$0	\$6,191	\$29,991
6 Conduit (Account 244149)	\$5,395	\$0	\$1,403	\$6,798
TOTAL	\$81,743	\$9,519	\$14,948	\$106,209
TOTAL Optical (w/o Remote EQ)	\$54,685	\$9,519	\$14,948	\$79,152

*Identified by Pacific Bell Investent studies